PROPOSAL FOR THE ESTABLISHMENT OF A MULTI-DONOR TRUST FUND: THE URBAN AND MUNICIPAL DEVELOPMENT FUND (UMDF)

PICU/FIRM/PGCL
January 2019
# TABLE OF CONTENTS

1. INTRODUCTION .................................................................................................................. 1

2. RATIONALE FOR ESTABLISHING THE NEW INITIATIVE ............................................. 1
   2.1 Urban Development Challenges in Africa ................................................................. 1
   2.2 Goals, objectives and proposed cooperation areas ..................................................... 2
   2.3 Fit with and relation to existing initiatives ................................................................. 3

3. VALUE ADDED FOR THE AFDB ...................................................................................... 4

4. PROPOSED GOVERNANCE STRUCTURE ........................................................................ 5
   4.2 Oversight Committee ................................................................................................. 5
   4.3 Technical Committee ............................................................................................... 5
   4.4 Fund Coordinator ..................................................................................................... 5
   4.5 Approval Thresholds .................................................................................................. 6

5. REPORTING, MONITORING & EVALUATION ARRANGEMENTS ............................... 6
   5.7 Fund Reporting and Beneficiary Reports ..................................................................... 6

6. ESTIMATED BUDGET AND COST EFFECTIVENESS AND EFFICIENCY .............. 7
   6.1 Donor Contributions ................................................................................................. 7
   6.2 Procurement and Disbursement Arrangements ........................................................ 7
   6.3 Administrative Fees .................................................................................................. 7

7. RISKS ............................................................................................................................... 8

8. STATUS OF PREPARATION, TIMEFRAME AND DURATION ..................................... 8
   8.1 Status of Implementation and Schedule of Preparation ............................................. 8
   8.2 Timeframe and duration of the initiative .................................................................... 8

9. CONCLUSION AND RECOMMENDATION ................................................................... 9
ACRONYMS AND ABBREVIATIONS

AfDB  African Development Bank Group
AHHD  Human and Social Development Department
AHWS  Water Development and Sanitation Department
AUC   African Union Commission
AWEX  Agence Wallonne à l’Exportation et aux Investissements étrangers
CDS   Cities Development Strategies
CSP   Country Strategy Paper
DFI   Development Finance Institution
ECGF  Governance and Public Financial Management Coordination Office
EU    European Union
EUR   European Euro
FC    Fund Coordinator
FIFC  Financial Control Department
FIRM  Resource Mobilization and Partnerships Department
GDP   Gross Domestic Product
KOAFEC Korean-Africa Economic Cooperation
M&E   Monitoring & Evaluation
NEPAD New Partnership for Africa’s Development
NDF   Nordic Development Fund
OC    Oversight Committee
OT    Operational Team
PEVP  Power, Energy, Climate and Green Growth
PGCL  General Counsel and Legal Services
PICU  Infrastructure and Urban Development
PICU.2 Urban Development Division
PISD  Private Sector Development
PIVP  Vice President, Private Sector, Infrastructure and Industrialization
RMC   Regional Member Countries
SAP   Systems and Applications Processing
SECO  Swiss State Secretariat for Economic Affairs
SNFI  Fiduciary and Financial Management, Inspection and Procurement Policy
SNDR  Delivery, Performance Management and Results
SNSP  Strategy and Operational Policies
TC    Technical Committee
TCRFP Technical Cooperation Fund Reform Policy
TF    Trust Fund
TFMS  Trust Fund Management System
UMDF  Urban and Municipal Development Fund
UN    United Nations
UNECFA United Nations Economic Commission for Africa
US$   United States Dollar
WB    World Bank
1. INTRODUCTION

1.1 In 1992, the Board of the African Development Bank Group approved an Urban Development Policy to provide guidance for Bank Group operations in the urban sector, build a foundation for dialogue with counterparts and promote cooperation with other development partners. In October 2011, the Board approved an Urban Development Strategy, which aims to enhance the scale and efficiency of Bank operations in urban sectors of Regional Member Countries (RMCs). The strategy is anchored on three main pillars: (1) infrastructure delivery, (2) governance, and (3) private sector development. Activities under each pillar will be implemented within the broader national development agenda of RMCs and will be aligned with country strategy papers (CSPs) and other key Bank Group initiatives. The Urban Development Strategy seeks to boost the viability and competitiveness of African cities and towns, enabling them to act as real drivers of sustainable economic growth and social development. Since 2011, the Bank has implemented urban development projects. The investments in transport and urban mobility are increasing steadily, from about US$ 125 million in 2009-2015 to an unprecedented US$ 500 million in 2016-2017. In 2018, the Bank established a new division dedicated to Urban Development, which will oversee the preparation of a new Urban Development Action Plan, its implementation, as well as the UMDF operationalization.

1.2 In order to facilitate and accelerate the implementation of the Bank’s Urban Development Action Plan, the establishment of a thematic multi-donor trust fund is proposed. The Urban & Municipal Development Fund (UMDF), to be housed in the Infrastructure & Urban Development Department (PICU), will enhance technical assistance and capacity building related to urban planning and governance, project preparation, with an initial focus on global priority areas such as resilience, mobility, and energy efficiency. As PICU ramps up its technical resources and as more donor funds are available, the UMDF will increase its scope to allow for increased engagement in broader urban management areas including municipal fiscal management. The Fund is designed to help cities achieve improved service provision, as well as adopt and implement climate mitigation and adaptation strategies. The Fund’s beneficiaries include, but are not strictly limited to, key local development institutions including municipalities, development agencies, and government agencies. This will be the Bank’s first multi-donor trust fund uniquely positioned to address urban development issues on the continent and is expected to serve as an important financial tool for launching and developing new urban initiatives in RMCs.

2. RATIONALE FOR ESTABLISHING THE NEW INITIATIVE

2.1 Urban Development Challenges in Africa

2.1.1 According to UN-Habitat’s 2014 State of African Cities Report, Africa is experiencing unprecedented population growth. Its total population is expected to double between 2010 and 2040, reaching 1.8 billion by 2040 and possibly exceeding 3 billion by 2070. Meanwhile, the continent is undergoing a pronounced and accelerated urban transition. More than a quarter of the world’s 100 fastest growing cities are in Africa. Within the next 50 years, Africa’s total urban population is expected to triple. Africa’s relative share of the world’s urban population is expected to nearly double between 2010 and 2050, from 11.3% to 20.2%. These demographic changes will raise the continent’s urban population to 50% by 2035 and to 58% by 2050. With the arrival of approximately 300 million new inhabitants in African cities and

---

3 United Nations, Department of Economic and Social Affairs, Population Division (2014). World Urbanization Prospects: The 2014 Revision, Highlights. Figure 3.
towns in the next two decades, urbanization is one of the critical factors related to Africa’s structural transformation.

2.1.2 Africa’s fast urbanization has its inherent challenges such as the proliferation of unplanned habitat, inadequate access to essential services, and growing insecurity and poverty rates. Poor urban planning, inadequate infrastructure, weak capacity of municipal authorities and local governments, social inequality, environmental degradation and the effects of climate change compound these challenges. Such vulnerabilities and adverse impacts need to be confronted and adequately addressed through effective policy formulation and strategy implementation.

2.1.3 Another challenge that must be addressed is Africa’s urban development financing gap. Estimates put African cities’ annual financing needs above US$ 90 billion\(^4\). Of this amount, US$ 45 billion can be mobilized from domestic sources, of which only US$ 1 billion currently originates from local governments. In addition, the contribution from various donors to urban development initiatives in Africa is estimated at US$ 10 billion, which leaves a significant annual shortfall that must be filled. Over the years, the Bank has supported urban development through projects in public utilities, industry, transport, education, health and other social interventions; roughly 15-20% of the cumulative financing provided by the Bank Group benefited urban dwellers and enterprises directly or indirectly. However, given shifting demographic trends on the continent, these investment levels will likely need to increase and the UMDF would be an essential mechanism for facilitating this process.

2.1.4 The above context calls for a new set of tools and resources to help municipalities deal with the emerging challenges facing fast-growing African cities. Through the establishment of the UMDF, the Bank will be in a better positioned to play a vital and catalytic role in helping RMCs build their programmatic capacity and cope with the investment gap required to ensure holistic, integrated and sustainable urban development. The establishment of the UMDF is in support of the Bank’s 10-Year Strategy (2013-2022) and its High-5s Agenda, because it aims to promote sustainable and inclusive growth in Africa’s towns and cities. The main operational priorities of the Urban Development –Action Plan that will be operationalized through the UMDF (promotion of integrated planning and urban development strategies, municipal finance development, and capacity development) align closely with the 10-Year Strategy’s operational priorities and the High-5’s. The Fund is positioned to advance initiatives that support all of the Bank’s High-5 priority areas. Finally, the Fund will support the development of African cities at a time when their crucial role to support economic growth and development could not be overemphasized.

2.2 Goals, objectives and proposed cooperation areas

2.2.1 The Fund’s overall objective is to support African cities and municipalities improve resilience and better manage urban growth and development by improving planning, governance, and quality of basic services. Specifically, the Fund is meant to (i) strengthen the capacity of municipalities in the upstream areas of urban planning and urban management; (ii) support the preparation of urban projects by municipalities; and (iii) contribute to the production of knowledge on urban and municipal development in Africa. In sum, the fund will aim to reduce institutional and governance gaps in African cities and strengthen capacity to address shortfalls of urban infrastructure, urban services, support urban sector reforms and promote the provision of private sector solutions to urban challenges.

\(^4\) Urban Development Strategy of the AfDB Group, October 2011.
2.2.2 The Fund will finance the upstream activities of projects in order to promote an integrated approach for urban planning and development, with a focus on three key areas that impact the quality of life in the urban environment: resilience, mobility and energy efficiency. In its initial stages, it is anticipated to fund city and town planning activities, studies, and diagnostics to develop integrated urban development plans for the three key areas. The UMDF is designed to be a flexible instrument to permit applications from various cities with varying levels of development and capacities. For those cities that already have integrated urban development plans that comprehensively address resilience and mobility to promote energy efficiency, the UMDF may finance feasibility studies, market analyses, business plan development and project preparation activities. It is envisioned that the Fund’s activities will contribute to the overall objective through four components, with an indicative ten percent allocation for component (iv):

(a) Improved urban planning and management: This will include, city climate adaptation/mitigation strategies, urban development policies and strategies to enhance resilience; support for institutional and sector reforms related to efficient urban mobility supported by integrated urban development plans and city development strategies (CDS); infrastructure investment and maintenance priority programs, and city performance dashboards to promote resilience;

(b) Improved Project Preparation: This will include, preparation of pilot projects including climate change adaptation and mitigation projects, resilient infrastructure and supportive feasibility and engineering studies for sustainable urban infrastructure and service delivery; and formulation of climate-friendly public-private partnership (PPP) projects;

(c) Improved municipal governance and finance: This includes support to implement innovative finance mechanisms, for example, for the introduction of green infrastructure bonds. Technical assistance, training and capacity building programs to strengthen municipal governance and finance. The TF is expected to support increased strengthening of municipal finance, including to improve access to climate finance, credit facilities, and enhance revenue collection;

(d) Increased Bank capacity to support integrated urban development: A portion of the TF will support the Bank in its broader role for strengthening client capacity to address climate change and adopt resilient urban infrastructure programs. Experts may be hired to facilitate the production and sharing of Bank-led analytical studies and knowledge work on urban development, sustainable cities, and emerging issues relevant to Africa.

2.3 Fit with and relation to existing initiatives

2.3.1 If Africa is to confront the challenges of unprecedented growth in urbanization, it is critical that more support be offered to cities and municipalities to improve planning and service delivery. In response to the high demand from cities for support, the proposed fund plans to assist municipalities to better respond to increased urbanization and address climate change challenges by focusing on improved resilience and mobility, along with energy efficiency. To date the Bank has financed several urban development projects and it has become evident that several cities are facing unplanned growth. To better prepare cities to plan for the urbanization trend observed globally, the UMDF is designed to help cities interested in improving the planning and management processes and ensure more integrated upstream planning for growth.
2.3.2 As the lead development finance institution (DFI) on the continent, the Bank plays a premier role in mobilizing market resources towards development projects. While most urban development projects have previously been pursued from the central government, there are increasing opportunities to engage with leaders at the sub-national level, especially in light of decentralization policies. With more than thirty offices across Africa, the Bank’s strong presence on the continent gives it proximity to many cities and municipalities, which could facilitate engagement with sub-national actors. The Bank will ensure the smooth running of the UMDF’s activities by leveraging synergies with other Bank-funded projects, and by capitalizing on its extensive experience in the areas of finance, trust funds, and governance. Through the proposed Urban and Municipal Development Fund, the Bank will assist RMCs in boosting sustainable urban development, especially at the municipal level, by exploring innovative financing schemes such as PPPs, local resource mobilization, and the development of municipal finance credit markets in order to create an attractive urban business climate and ensure the regular replenishment of urban financial reserves.

2.3.3 The Urban Development Action Plan builds on the achievements and lessons learned from past experience of Bank interventions in urban areas and emphasizes the need for coordinated and purposeful action. A key argument of the Action Plan is that successful urban development requires coherent programmes and efficient organization, both within the Bank and in RMCs, to ensure that the urban sector boosts economies and social development. The UMDF will serve as a critical tool for operationalizing the action plan. It will allow the Bank to ensure that key policy themes and cross-cutting issues, including private sector development, governance, gender, empowerment of vulnerable groups, regional integration, environment and now increasingly climate change, are taken into account during the formulation, design and implementation of urban projects.

3 VALUE ADDED FOR THE AFDB

3.1 The Bank recognizes that the continent’s cities and towns can be a major driving force for economic development. Productivity in cities tends to be almost double that of rural areas and urbanization is strongly correlated with the rate of real GDP growth. In 2015, Africa’s urban GDP per person in urban areas was two and a half times that in rural areas.\(^5\) Therefore, strategic investments in urban development initiatives offer the opportunity to boost economic growth in RMCs and it is in the Bank’s best interest to improve its engagement in this sector.

3.2 The Bank’s existing lending and non-lending instruments are adequate to support urban infrastructure development; however, the upstream planning and preparatory activities require an innovative financing instrument to assist cities and municipalities with their planning and project development needs. The UMDF will help fill this current operational gap by providing an upstream and complementary resource for financing urban development-related Bank activities. The Fund will enhance the Bank’s ability to serve as a conduit for urban development resources to RMCs.

3.3 The establishment of the UMDF is in line with the High 5s of the Bank as it will contribute immensely to the improvement of the quality of life of Africans at the municipal level, as well as facilitate the industrialization of African cities through urbanization planning. It is also aligned with the Bank’s intention to encourage the creation of thematic multi-donor technical cooperation funds. The Bank’s experience is that thematic trust funds have been able to achieve greater development impact than tied, bilateral grants\(^6\). Successful multi-donor arrangements have been previously established at the AfDB to support programs on water and sanitation, governance, and NEPAD, which can offer important lessons learned in the


establishment of this Fund. The UMDF is positioned as a high value-added instrument that may benefit further from the partnership advantages with Fund donors, including transfer of global knowledge.

4 PROPOSED GOVERNANCE STRUCTURE

4.1 The UMDF’s resources and its administration will be housed in the PICU Department and managed by a fund coordinator (FC). The Fund’s governance structure will include a Technical Committee and an Oversight Committee. The Fund’s operational activities will be ensured by the PICU.2 Division team which comprises a Division Manager and a multidisciplinary operational team (OT) of 5 urban development specialists. Consultants may be recruited on a case-by-case basis for short periods of time, depending on the Fund’s needs and work program. Beneficiaries will implement projects according to the Bank’s rules, policies, guidelines, and procedures.

4.2 Oversight Committee

4.2.1 The Oversight Committee (OC) will consist of two representatives from the Bank and one representative from each of the donors/agencies that have contributed to the Fund. The OC will: (i) provide general policy and strategic guidance, (ii) review and approve the operational guidelines of the UMDF, (iii) review and approve annual reports, the work programme and budget for the coming year, and (iv) initiate discussions for a general replenishment of the resources of the UMDF. The decision making methods and processes of the OC will be determined by the committee members. The OC will meet at least once a year. Representatives of recipient Regional Members and organizations may be accorded invitations to attend the meetings of the Committee as observers. An independent representative with no relation to the Bank or any donor, but from a well-known institution and with proven experience in urban affairs, may be invited to join the committee to offer an external expert perspective; if the circumstances and the donors so require, on such terms and conditions as the donors may decide.

4.3 Technical Committee

4.3.1 The Technical Committee (TC) will be composed of representatives from Bank Departments whose activities contribute to urban development, including but not limited to: PICU, AHWS, PEVP, PISD, ECGF, ECNR, ECCE, AHHD, FIRM, PGCL, SNSP, SNFI, FIFC and SNDR. The Technical Committee, will be chaired by the Director for Urban Development. The TC will (i) examine all proposals submitted for financing under the UMDF to ensure that they align with the objectives of the Fund and that they are technically and financially feasible; (ii) clear the work programme and budget for the next year for submission to the OC; and (iii) clear all proposals.

4.4 Fund Coordinator

4.4.1 The UMDF Coordinator (FC), under the guidance of the PICU Director, will ensure the day-to-day management of the fund. He or she will be responsible for organizing calls for proposals targeting RMC beneficiaries, pre-screening proposals, and preparing the Fund’s work program and budget, developing fundraising plan, ensuring regular communication with donors and beneficiaries, organizing TC and OC meetings and providing their secretariat. Bank staff will provide technical support to external beneficiaries as needed for the preparation and submission of quality proposals. The FC will be supported by technical staff of the Urban Development Division, who will among others: assist with calls for proposals; identify potential projects; prepare work documents and activity reports; and provide general support for the day-to-day operational activities of the UMDF. The FC will be responsible for timely production of annual reports and submission to donors.
4.5 Approval Thresholds

4.5.1 Following a prior review by the TC, the OC will approve the indicative operational Work Program, which includes project briefs. The fully prepared individual project proposals will be cleared by the TC. Proposals up to US$500,000 will be approved by the Director PICU, while proposals greater than US$ 500,000 up to US$1 million will be approved by the Vice President PIVP. Proposals above US$1 million will be approved by the President of the Bank Group. In view of streamlining management of the UMDF and as agreed with the donors, the proposed UMDF approval thresholds will require a waiver from the Board of Directors as it departs from the provisions of the 2006 Proposal for Technical Cooperation Fund Reform for (the Trust Fund Policy) (i) approval above US$ 500,000 is delegated to the Vice President PIVP instead of the OC and (ii) approval above US$1 million is delegated to the President of the Bank Group instead of the Board of Directors. For the avoidance of doubt, the Board of Directors will not have approval authority of any activities under the trust fund regardless of the size of the activity.

4.5.2 Financing of any project not initially included in the approved work program shall require the prior non-objection of the OC.

5 REPORTING, MONITORING & EVALUATION ARRANGEMENTS

5.1 A strong M&E plan will help ensure strategic alignment with the UMDF’s intended objectives, reduce administrative complexities, and support strong financial and program controls. M&E periodicity and mechanisms will be defined in detail in the Trust Fund Operational guidelines that will be developed.

5.2 Through its Financial Control Department, the Bank will prepare and provide donors with annual financial statements on UMDF funds received and disbursed as of the 31st December of each year. The Bank will submit annual progress reports on the UMDF funded projects to the donors. This will include the implemented activities and the objectives achieved in RMCs as of 31 December of each year.

5.3 The annual financial statements and the annual progress report shall be submitted to the OC within six (6) months after the end of the reporting period. The financial statements of the UMDF shall be audited by an external auditor on an annual basis. The cost of such audit shall be charged to the resources of the Trust Fund.

5.4 The Bank will submit to the OC, not later than one year after expiration of the UMDF multi-donor arrangement or exhaustion of the resources under the UMDF, a final activity report as well as a closing financial statement, on the activities financed from the resources.

5.5 Project financial audits will be carried out in accordance with Bank’s rules and procedures.

5.6 All operations financed by the Fund will be subject to Bank’s information disclosure policies. Operational guidelines for the proposed Fund and a work program will be prepared.

5.7 Fund Reporting and Beneficiary Reports

5.7.1 The UMDF will ensure reporting procedures are aligned to the Trust Fund reporting procedures as detailed in the operational guidelines.
6 ESTIMATED BUDGET AND COST EFFECTIVENESS AND EFFICIENCY

6.1 Donor Contributions

6.1.1 The proposed Urban and Municipal Development Fund is expected to receive contributions from bilateral and multilateral partners who express interest in urban development and in supporting the implementation of the Bank’s Urban Development Strategy. To date, the Nordic Development Fund (NDF) and Agence Wallonne à l’Exportation et aux Investissements étrangers (AWEX), acting on behalf of the Walloon Region (Belgium), have formally informed the Bank on their willingness to support the UMDF. In addition, management is in discussions with other donors within and outside the continent. The Fund’s size will gradually increase according to its activities, demand for financing, achievements and successful resource mobilization. Based on the experience of other similar trust funds, the UMDF is expected to commit between US$ 2-4 million per year to projects for the first three years of operation.

6.1.2 The Nordic Development Fund (NDF) has confirmed in a letter its intent to support the UMDF. The NDF and the Bank have collaborated on cooperative initiatives for nearly 25 years. Since 2013, the NDF has committed over US$ 30 million to support the Bank’s climate change-related efforts, which echoes the NDF’s focus on climate issues and sustainability measures. The NDF’s participation in the establishment of the UMDF will further cement its key partnership with the Bank. The NDF financial contribution to the Fund is now confirmed at EUR 4 million, or approximately US$ 4.275 million.

6.1.3 Belgium has been a member of the African Development Fund since 1974 and of the AfDB since 1983. Agence Wallonne à l’Exportation et aux Investissements étrangers (AWEX) is a public interest organization created under Belgian law with the mandate to promote foreign trade on behalf of Walloon Region (Belgium). The AWEX financial contribution to the Fund has been confirmed at EUR 500,000, or approximately US$ 567,954.

6.1.4 In addition, Management is holding, and continues to initiate discussions with other donors who have expressed keen interest to participate in the urban management and development scene, notably the Swiss State Secretariat for Economic Affairs (SECO).

6.2 Procurement and Disbursement Arrangements

6.2.1 The Fund’s procurement activities and disbursement will be carried out in accordance with the African Development Bank’s rules and procedures. The Urban Development Division will supervise these activities. Financial reporting and transactions processing may be completed using SAP, TFMS or such other platform recommended by the Bank, in order to reduce clearance steps and improve accountability.

6.3 Administrative Fees

6.3.1 A flat administrative fee of a minimum of 5 percent will be applied to defray the costs associated with administering the UMDF. This is in line with the Bank’s 2006 Technical Cooperation Fund Reform Policy. All donors can be involved in a discussion about a potentially higher share of donor funds that will be dedicated to program administration costs. Any additional direct costs, inter alia, consultant time and consultant travel, will be included in the work program and budget, and charged to the trust fund.

---

7 4 million euro NDF contribution approved by Board on 9th June 2017.
7 RISKS

7.1 Outcome Risks. (Results) The main risks to achieving the intended outcomes for UMDF-funded projects may be linked to the non-availability of resources for the implementation of projects and difficulties in retaining capacities and skills amongst key actors at the municipal level. To mitigate these risks, special emphasis will be placed on supporting resource mobilization at the local level, developing tools for effective and transparent urban management and strengthening municipal staff skills. This risk is rated Medium.

7.2 Output Risks. (Implementation) Given the weak technical capacity of many municipalities on the continent, there is a strong likelihood of poor project management and implementation, which may result in overrun costs and problematic projects. This risk will be mitigated via adequate project supervision and technical assistance support to beneficiaries as required during the project cycle. While liaising directly with municipalities, the Fund will ensure to maintain good contact with central governments to secure their support on urban development projects. This risk is rated Low.

7.3 Input Risk. (Resource Mobilisation) Mobilising adequate resources from development partners and donors in order to execute the Fund’s objectives and meet municipalities’ high demand for support remains a key challenge. However, this risk is mitigated given the strong interest shown by donors vis-à-vis the urban development action plan and the fund initiative. Fund administrators will make efforts to ensure that additional donors are recruited in order to expand future work programs. Furthermore, the importance and relevance of urban development to poverty, climate change and environmental degradation puts urban development at the forefront of the African development policy debate, which is an additional advantage in the Fund’s resource mobilization strategy. It is unlikely that urban development concerns will be subsiding in the near future and we are confident that the added value of the Fund’s activities will be duly recognized, leading the way to additional resource mobilization. This risk is rated Low – Medium.

8 STATUS OF PREPARATION, TIMEFRAME AND DURATION

8.1 Status of Implementation and Schedule of Preparation

8.1.1 The proposed initiative is expected to be launched in 2019. Commitments from two donors have been secured and the necessary administrative processes for launching the fund have been initiated. In order to capitalize on the donors’ interest and energy, the Bank should endeavour to establish the UMDF as soon as possible. A list of potential projects for the first work program has already been generated. Once the UMDF is operational, an initial work program will be proposed, discussed, and adopted by the OC.

8.2 Timeframe and duration of the initiative

8.2.1 The Fund will be established for a five-year renewable period and may be dissolved or extended by mutual agreement between Donors and the Bank, depending on the amount of resources that will be mobilized for its activities.

8.2.2 As the UMDF’s initial financing will fall between US$ 2.0 million and US$ 100 million, it is to be referred to the Board of Directors for initial approval. Should the fund exceed US$ 100 million in future years, it will be referred to the Boards of Governors for approval.

8.2.3 The Fund’s operations will be reviewed after its first three years of operation to identify areas for improvement and incorporate them into the Fund’s operations. A term review will be carried out in the fifth year of operation and every five years thereafter, prior to each period of renewal.
9 CONCLUSION AND RECOMMENDATION

9.1 The African Development Bank as the foremost development institution in Africa, should play a lead role in addressing Africa’s fast urbanization and its inherent challenges such as poor urban planning, proliferation of unplanned settlements, inadequate access to essential services, weak capacity of municipal authorities, environmental degradation, and growing insecurity and poverty in urban areas. The proposed UMDF will support African cities and municipalities improve resilience and better manage urban growth and development by improving planning, governance, and the quality of basic services.

9.2 The Board of Directors are invited to:

(a) Approve the establishment of the UMDF;

(b) Authorize Management to execute participation agreements with donors interested in supporting the UMDF; and

(c) Authorize Management to commit the resources of the Fund in accordance with the proposed approval thresholds.